



HENRY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-57
August 20, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Henry, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Henry County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- < As of December 31, 1998, the county had not reduced property tax revenues by \$109,732 as the result of excess property tax revenues collected in prior years. By leaving the 1998 General Revenue levy at \$.00 the county could have reduced excess property tax collections by approximately \$72,000. However the county set the 1998 General Revenue levy at \$.04 believing that going without a levy in 10 of the prior 17 years was sufficient.
- < Many prior audit recommendations were implemented, however the county still needs to ensure that expenditures from all county funds are necessary for county operations and are a prudent use of county monies.

Also included in the audit are recommendations to improve budgetary procedures and county fixed asset procedures and to better monitor collateral securities pledged by county banks. The audit also suggested improvements in the Juvenile Office's accounting controls.

Copies of the audit are available upon request.

YELLOW SHEET

HENRY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Henry County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Henry County.

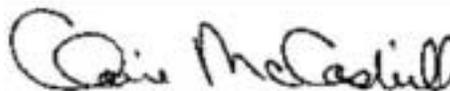
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Henry County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Henry County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Henry County, Missouri

We have audited the special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

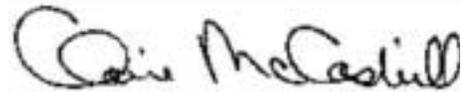
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Henry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Henry County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Financial Statements

Exhibit A-1

HENRY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 339,289	1,846,821	1,842,179	343,931
Special Road and Bridge	876,122	1,084,115	950,290	1,009,947
Assessment	1,139	200,457	200,836	760
Central Emergency Communications	6,239	220,547	222,737	4,049
Law Enforcement Training	1,613	9,571	11,178	6
Prosecuting Attorney Training	721	1,856	2,156	421
Prosecuting Attorney's Bad Check	28,060	30,335	38,180	20,215
Prosecuting Attorney's Delinquent Tax	6,033	8,345	13,326	1,052
Tri-County Child Support	324	68,373	66,112	2,585
Emergency 9-1-1	136,011	157,154	139,359	153,806
Victims of Domestic Violence	150	18,283	18,243	190
Local Use Tax	11,760	82,760	16,184	78,336
Federal Drug Forfeiture Program	403	0	380	23
Local Emergency Planning Commission	1,849	4,339	4,742	1,446
D.A.R.E	2,519	4,035	3,435	3,119
Corps of Engineers	9,998	41,237	42,695	8,540
Recorder's Records, Storage, and Preservation	9,198	10,933	4,924	15,207
Federal Grant	24	21,895	21,918	1
Sheriff's Special Project	0	54,762	50,557	4,205
Sheriff's Civil	0	24,828	23,352	1,476
Health Center	43,798	417,124	408,265	52,657
Henry County Water Supply District #3	0	50,000	50,000	0
Henry County Water Supply District #4	0	300,000	300,000	0
Juvenile Office DYS Grant	5,992	26,621	24,606	8,007
Circuit Clerk Interest	5,125	3,667	0	8,792
Associate Circuit Division Interest	3,186	2,185	94	5,277
Law Library	4,400	8,755	7,338	5,817
Total	\$ 1,493,953	4,698,998	4,463,086	1,729,865

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HENRY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 432,015	1,753,743	1,846,469	339,289
Special Road and Bridge	702,168	914,109	740,155	876,122
Assessment	483	213,483	212,827	1,139
Central Emergency Communications	1,050	213,756	208,567	6,239
Henry County Emergency Management	254	9,792	10,046	0
Law Enforcement Training	442	9,455	8,284	1,613
Prosecuting Attorney Training	538	3,057	2,874	721
Prosecuting Attorney's Bad Check	29,377	25,562	26,879	28,060
Prosecuting Attorney's Delinquent Tax	14,241	455	8,663	6,033
Tri-County Child Support	4,899	59,416	63,991	324
Emergency 9-1-1	108,580	150,656	123,225	136,011
Victims of Domestic Violence	0	13,022	12,872	150
Local Use Tax	1,096	10,664	0	11,760
Federal Drug Forfeiture Program	17	7,960	7,574	403
Local Emergency Planning Commission	3,581	3,956	5,688	1,849
D.A.R.E	4,388	9,464	11,333	2,519
Corps of Engineers	13,842	42,044	45,888	9,998
Recorder's Records, Storage, and Preservation	16,078	10,154	17,034	9,198
Federal Grant	3,421	19,740	23,137	24
Health Center	54,625	392,533	403,360	43,798
Henry County Water Supply District #3	0	450,000	450,000	0
Sheriff's Drug Dog	293	0	293	0
Juvenile Office DYS Grant	13,318	16,108	23,434	5,992
Circuit Clerk Interest	10,209	1,547	6,631	5,125
Associate Circuit Division Interest	1,688	1,641	143	3,186
Law Library	2,293	7,431	5,324	4,400
Total	\$ 1,418,896	4,339,748	4,264,691	1,493,953

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 3,000	13,644	10,644	4,500	3,428	-1,072
Sales taxes	850,000	858,895	8,895	825,000	866,483	41,483
Intergovernmental	454,384	404,886	-49,498	365,332	321,483	-43,849
Charges for services	358,350	413,931	55,581	321,650	395,827	74,177
Interest	20,000	20,601	601	20,000	22,946	2,946
Other	39,500	59,725	20,225	28,350	73,964	45,614
Transfers in	67,817	75,139	7,322	40,080	69,612	29,532
Total Receipts	1,793,051	1,846,821	#VALUE!	1,604,912	1,753,743	#VALUE!
DISBURSEMENTS						
County Commission	64,300	63,065	1,235	64,595	63,767	828
County Clerk	71,774	71,444	330	76,926	76,518	408
Elections	94,856	84,602	10,254	59,712	55,140	4,572
Buildings and grounds	108,425	93,723	14,702	174,425	135,730	38,695
Employee fringe benefits	145,000	100,003	44,997	104,500	81,422	23,078
County Treasurer	70,454	69,597	857	81,476	80,519	957
Ex Officio County Collector	4,000	3,115	885	4,000	2,106	1,894
Recorder of Deeds	56,303	58,283	-1,980	70,248	69,621	627
Circuit Clerk	18,900	14,913	3,987	19,000	17,642	1,358
Associate Circuit Court	15,310	13,978	1,332	14,710	15,304	-594
Court administration	40,668	31,902	8,766	42,898	38,756	4,142
Public Administrator	1,108	1,147	-39	2,008	2,006	2
Other	175,797	138,593	37,204	172,903	140,719	32,184
Sheriff	278,509	281,195	-2,686	313,243	311,884	1,359
Jail	146,705	155,222	-8,517	147,239	167,395	-20,156
Prosecuting Attorney	109,486	107,353	2,133	100,265	104,726	-4,461
Juvenile Officer	474,610	412,325	62,285	348,799	322,429	26,370
County Coroner	14,120	11,119	3,001	14,638	11,293	3,345
Public Health and Welfare Services	5,350	3,250	2,100	5,350	3,250	2,100
Transfers out	144,375	127,350	17,025	167,600	146,242	21,358
Emergency Fund	54,953	0	54,953	48,000	0	48,000
Total Disbursements	2,095,003	1,842,179	252,824	2,032,535	1,846,469	186,066
RECEIPTS OVER (UNDER) DISBURSEMENTS	-301,952	4,642	#VALUE!	-427,623	-92,726	#VALUE!
CASH, JANUARY 1	339,289	339,289	0	432,015	432,015	0
CASH, DECEMBER 31	\$ 37,337	343,931	#VALUE!	4,392	339,289	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 62,000	70,693	8,693	60,000	62,303	2,303
Intergovernmental	1,035,000	929,275	-105,725	983,000	747,163	-235,837
Charges for services	40,000	8,382	-31,618	70,000	26,172	-43,828
Interest	20,000	46,988	26,988	15,000	24,224	9,224
Other	39,700	28,777	-10,923	40,000	54,247	14,247
Total Receipts	<u>1,196,700</u>	<u>1,084,115</u>	<u>-112,585</u>	<u>1,168,000</u>	<u>914,109</u>	<u>-253,891</u>
DISBURSEMENTS						
Salaries	115,000	101,361	13,639	115,000	104,659	10,341
Employee fringe benefits	27,200	14,585	12,615	20,000	16,098	3,902
Supplies	29,200	18,943	10,257	23,900	19,769	4,131
Insurance	4,000	3,658	342	6,600	3,271	3,329
Road and bridge materials	135,000	94,218	40,782	135,000	65,896	69,104
Equipment repairs	12,000	3,532	8,468	12,000	3,572	8,428
Equipment purchases	150,000	130,776	19,224	90,000	64,810	25,190
Construction, repair, and maintenance	866,500	535,619	330,881	923,500	417,911	505,589
Other	55,000	5,781	49,219	10,000	4,089	5,911
Transfers out	41,817	41,817	0	40,080	40,080	0
Total Disbursements	<u>1,435,717</u>	<u>950,290</u>	<u>485,427</u>	<u>1,376,080</u>	<u>740,155</u>	<u>635,925</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>-239,017</u>	<u>133,825</u>	<u>372,842</u>	<u>-208,080</u>	<u>173,954</u>	<u>382,034</u>
CASH, JANUARY 1	876,122	876,122	0	702,168	702,168	0
CASH, DECEMBER 31	<u>\$ 637,105</u>	<u>1,009,947</u>	<u>372,842</u>	<u>494,088</u>	<u>876,122</u>	<u>382,034</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	178,022	181,264	3,242	187,288	177,474	-9,814
Interest		800	837	37	0	741	741
Other		1,200	766	-434	1,500	1,068	-432
Transfers in		20,590	17,590	-3,000	35,000	34,200	-800
Total Receipts		<u>200,612</u>	<u>200,457</u>	<u>-155</u>	<u>223,788</u>	<u>213,483</u>	<u>-10,305</u>
DISBURSEMENTS							
Assessor		200,612	200,836	-224	223,808	212,827	10,981
Total Disbursements		<u>200,612</u>	<u>200,836</u>	<u>-224</u>	<u>223,808</u>	<u>212,827</u>	<u>10,981</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	-379	-379	-20	656	676
CASH, JANUARY 1		1,139	1,139	0	483	483	0
CASH, DECEMBER 31	\$	<u>1,139</u>	<u>760</u>	<u>-379</u>	<u>463</u>	<u>1,139</u>	<u>676</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CENTRAL EMERGENCY COMMUNICATIONS FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Charges for services	\$	102,600	102,530	-70	102,460	102,600	140
Interest		400	333	-67	0	339	339
Other		4,900	1,684	-3,216	0	817	817
Transfers in		<u>116,000</u>	<u>116,000</u>	<u>0</u>	<u>114,540</u>	<u>110,000</u>	<u>-4,540</u>
Total Receipts		<u>223,900</u>	<u>220,547</u>	<u>-3,353</u>	<u>217,000</u>	<u>213,756</u>	<u>-3,244</u>
DISBURSEMENTS							
Salaries		195,208	188,164	7,044	184,977	178,118	6,859
Office expenditures		19,300	19,108	192	18,139	18,010	129
Equipment		10,925	12,075	-1,150	11,450	9,676	1,774
Mileage and training		2,500	3,390	-890	2,000	2,763	-763
Total Disbursements		<u>227,933</u>	<u>222,737</u>	<u>5,196</u>	<u>216,566</u>	<u>208,567</u>	<u>7,999</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		<u>-4,033</u>	<u>-2,190</u>	<u>1,843</u>	<u>434</u>	<u>5,189</u>	<u>4,755</u>
CASH, JANUARY 1		<u>6,239</u>	<u>6,239</u>	<u>0</u>	<u>1,050</u>	<u>1,050</u>	<u>0</u>
CASH, DECEMBER 31	\$	<u>2,206</u>	<u>4,049</u>	<u>1,843</u>	<u>1,484</u>	<u>6,239</u>	<u>4,755</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HENRY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HENRY COUNTY EMERGENCY MANAGEMENT FUND

	Year Ended December 31,		
	1997		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfers in	\$ 10,600	9,792	-808
Total Receipts	10,600	9,792	-808
DISBURSEMENTS			
Salaries	8,962	8,929	33
Office expenditures	300	172	128
Equipment	300	127	173
Mileage and training	500	627	-127
Other	792	191	601
Total Disbursements	10,854	10,046	808
RECEIPTS OVER (UNDER) DISBURSEMENTS	-254	-254	0
CASH, JANUARY 1	254	254	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 0	1,988	1,988	0	1,498	1,498
Charges for services	8,000	7,583	-417	7,000	7,957	957
Total Receipts	8,000	9,571	1,571	7,000	9,455	2,455
DISBURSEMENTS						
Sheriff	9,500	11,178	-1,678	7,442	8,284	-842
Total Disbursements	9,500	11,178	-1,678	7,442	8,284	-842
RECEIPTS OVER (UNDER) DISBURSEMENTS	-1,500	-1,607	-107	-442	1,171	1,613
CASH, JANUARY 1	1,613	1,613	0	442	442	0
CASH, DECEMBER 31	\$ 113	6	-107	0	1,613	1,613

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 3,000	1,856	-1,144	6,000	3,057	-2,943
Total Receipts	3,000	1,856	-1,144	6,000	3,057	-2,943
DISBURSEMENTS						
Prosecuting Attorney	3,700	2,156	1,544	3,800	2,874	926
Total Disbursements	3,700	2,156	1,544	3,800	2,874	926
RECEIPTS OVER (UNDER) DISBURSEMENTS	-700	-300	400	2,200	183	-2,017
CASH, JANUARY 1	721	721	0	538	538	0
CASH, DECEMBER 31	\$ 21	421	400	2,738	721	-2,017

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY'S BAD CHECK FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 24,000	30,335	6,335	23,000	25,562	2,562
Total Receipts	24,000	30,335	6,335	23,000	25,562	2,562
DISBURSEMENTS						
Prosecuting Attorney	17,000	12,130	4,870	28,000	13,444	14,556
Transfers out	22,840	26,050	-3,210	8,185	13,435	-5,250
Total Disbursements	39,840	38,180	1,660	36,185	26,879	9,306
RECEIPTS OVER (UNDER) DISBURSEMENTS	-15,840	-7,845	7,995	-13,185	-1,317	11,868
CASH, JANUARY 1	28,060	28,060	0	29,377	29,377	0
CASH, DECEMBER 31	\$ 12,220	20,215	7,995	16,192	28,060	11,868

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY'S DELINQUENT TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 400	1,295	895	350	455	105
Transfers in	5,840	7,050	1,210	0	0	0
Total Receipts	6,240	8,345	2,105	350	455	105
DISBURSEMENTS						
Prosecuting Attorney	12,273	13,326	-1,053	14,591	8,663	5,928
Total Disbursements	12,273	13,326	-1,053	14,591	8,663	5,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,033	-4,981	1,052	-14,241	-8,208	6,033
CASH, JANUARY 1	6,033	6,033	0	14,241	14,241	0
CASH, DECEMBER 31	\$ 0	1,052	1,052	0	6,033	6,033

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 TRI-COUNTY CHILD SUPPORT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 66,221	59,373	-6,848	62,600	54,166	-8,434
Transfers in	0	9,000	9,000	0	5,250	5,250
Total Receipts	66,221	68,373	2,152	62,600	59,416	-3,184
DISBURSEMENTS						
Salaries	54,081	53,795	286	52,000	52,607	-607
Office expenditures	11,400	11,653	-253	10,100	10,956	-856
Other	500	664	-164	500	428	72
Total Disbursements	65,981	66,112	-131	62,600	63,991	-1,391
RECEIPTS OVER (UNDER) DISBURSEMENTS	240	2,261	2,021	0	-4,575	-4,575
CASH, JANUARY 1	324	324	0	4,899	4,899	0
CASH, DECEMBER 31	\$ 564	2,585	2,021	4,899	324	-4,575

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 EMERGENCY 9-1-1 FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 153,000	152,743	-257	142,000	147,143	5,143
Interest	3,000	4,411	1,411	2,000	3,513	1,513
Total Receipts	156,000	157,154	1,154	144,000	150,656	6,656
DISBURSEMENTS						
Telephone charges	96,000	93,617	2,383	90,000	73,540	16,460
Equipment	30,000	18,324	11,676	30,000	27,737	2,263
Other	40,000	1,418	38,582	35,000	1,948	33,052
New building construction/upkeep	2,000	0	2,000	2,000	0	2,000
Training	1,500	0	1,500	1,500	0	1,500
Transfers out	0	26,000	-26,000	0	20,000	-20,000
Total Disbursements	169,500	139,359	30,141	158,500	123,225	35,275
RECEIPTS OVER (UNDER) DISBURSEMENTS	-13,500	17,795	31,295	-14,500	27,431	41,931
CASH, JANUARY 1	136,011	136,011	0	108,580	108,580	0
CASH, DECEMBER 31	\$ 122,511	153,806	31,295	94,080	136,011	41,931

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 VICTIMS OF DOMESTIC VIOLENCE FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	17,800	15,838	-1,962	17,000	10,192	-6,808
Charges for services		0	2,445	2,445	0	2,830	2,830
Total Receipts		17,800	18,283	483	17,000	13,022	-3,978
DISBURSEMENTS							
Domestic violence shelter		17,800	18,243	-443	17,000	12,872	4,128
Total Disbursements		17,800	18,243	-443	17,000	12,872	4,128
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	40	40	0	150	150
CASH, JANUARY 1		150	150	0	0	0	0
CASH, DECEMBER 31	\$	150	190	40	0	150	150

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LOCAL USE TAX FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Local use tax	\$ 50,000	57,202	7,202	0	10,587	10,587
Intergovernmental	0	24,802	24,802	0	0	0
Interest	0	756	756	50	77	27
Total Receipts	50,000	82,760	32,760	50	10,664	10,614
DISBURSEMENTS						
Construction of elevator	0	0	0	1,000	0	1,000
Capital expenditures	45,000	9,783	35,217	0	0	0
Other	11,000	6,401	4,599	0	0	0
Total Disbursements	56,000	16,184	39,816	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-6,000	66,576	72,576	-950	10,664	11,614
CASH, JANUARY 1	11,760	11,760	0	1,096	1,096	0
CASH, DECEMBER 31	\$ 5,760	78,336	72,576	146	11,760	11,614

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 FEDERAL DRUG FORFEITURE PROGRAM FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Intergovernmental	\$	0	0	0	7,000	7,960	960
Total Receipts		0	0	0	7,000	7,960	960
DISBURSEMENTS							
Other		350	380	-30	7,000	7,574	-574
Total Disbursements		350	380	-30	7,000	7,574	-574
RECEIPTS OVER (UNDER) DISBURSEMENTS		-350	-380	-30	0	386	386
CASH, JANUARY 1		403	403	0	17	17	0
CASH, DECEMBER 31	\$	53	23	-30	17	403	386

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 4,000	4,339	339	4,500	3,956	-544
Total Receipts	4,000	4,339	339	4,500	3,956	-544
DISBURSEMENTS						
Salaries	1,615	1,615	0	1,615	1,615	0
Office expenditures	250	271	-21	250	203	47
Equipment	300	50	250	300	441	-141
Mileage and training	1,250	569	681	900	1,801	-901
Other	1,535	2,237	-702	1,870	1,628	242
Total Disbursements	4,950	4,742	208	4,935	5,688	-753
RECEIPTS OVER (UNDER) DISBURSEMENTS	-950	-403	547	-435	-1,732	-1,297
CASH, JANUARY 1	1,849	1,849	0	3,581	3,581	0
CASH, DECEMBER 31	\$ 899	1,446	547	3,146	1,849	-1,297

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 D.A.R.E FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 884	885	1	0	5,709	5,709
Other	0	3,150	3,150	3,450	3,755	305
Total Receipts	884	4,035	3,151	3,450	9,464	6,014
DISBURSEMENTS						
Office supplies	1,500	3,435	-1,935	2,900	11,333	-8,433
Mileage and training	0	0	0	550	0	550
Total Disbursements	1,500	3,435	-1,935	3,450	11,333	-7,883
RECEIPTS OVER (UNDER) DISBURSEMENTS	-616	600	1,216	0	-1,869	-1,869
CASH, JANUARY 1	2,519	2,519	0	4,388	4,388	0
CASH, DECEMBER 31	\$ 1,903	3,119	1,216	4,388	2,519	-1,869

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CORPS OF ENGINEERS FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 40,000	41,237	1,237	40,638	40,044	-594
Transfers in	6,000	0	-6,000	12,000	2,000	-10,000
Total Receipts	46,000	41,237	-4,763	52,638	42,044	-10,594
DISBURSEMENTS						
Salaries	18,985	19,844	-859	19,719	19,471	248
Office expenditures	150	2,960	-2,810	100	23	77
Equipment	13,500	19,891	-6,391	22,500	14,394	8,106
Other	0	0	0	776	0	776
Transfers out	14,000	0	14,000	18,400	12,000	6,400
Total Disbursements	46,635	42,695	3,940	61,495	45,888	15,607
RECEIPTS OVER (UNDER) DISBURSEMENTS	-635	-1,458	-823	-8,857	-3,844	5,013
CASH, JANUARY 1	9,998	9,998	0	13,842	13,842	0
CASH, DECEMBER 31	\$ 9,363	8,540	-823	4,985	9,998	5,013

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER'S RECORDS, STORAGE, AND PRESERVATION FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 10,000	10,444	444	10,500	9,710	-790
Interest	0	489	489	0	444	444
Total Receipts	10,000	10,933	933	10,500	10,154	-346
DISBURSEMENTS						
Recorder of Deeds	15,000	2,463	12,537	3,000	9,687	-6,687
Transfers out	0	2,461	-2,461	7,347	7,347	0
Total Disbursements	15,000	4,924	10,076	10,347	17,034	-6,687
RECEIPTS OVER (UNDER) DISBURSEMENTS	-5,000	6,009	11,009	153	-6,880	-7,033
CASH, JANUARY 1	9,198	9,198	0	16,078	16,078	0
CASH, DECEMBER 31	\$ 4,198	15,207	11,009	16,231	9,198	-7,033

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 FEDERAL GRANT FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 9,496	7,445	-2,051	9,000	9,490	490
Transfers in	12,475	14,450	1,975	10,000	10,250	250
Total Receipts	21,971	21,895	-76	19,000	19,740	740
DISBURSEMENTS						
Salaries	21,994	21,918	76	22,374	21,994	380
Supplies	0	0	0	0	1,143	-1,143
Total Disbursements	21,994	21,918	76	22,374	23,137	-763
RECEIPTS OVER (UNDER) DISBURSEMENTS	-23	-23	0	-3,374	-3,397	-23
CASH, JANUARY 1	24	24	0	3,421	3,421	0
CASH, DECEMBER 31	\$ 1	1	0	47	24	-23

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

HENRY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF'S SPECIAL PROJECT FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 38,667	41,560	2,893
Other	750	7,892	7,142
Transfers in	5,310	5,310	0
Total Receipts	44,727	54,762	10,035
DISBURSEMENTS			
Salaries	42,501	47,223	-4,722
Other	1,290	3,334	-2,044
Total Disbursements	43,791	50,557	-6,766
RECEIPTS OVER (UNDER) DISBURSEMENTS	936	4,205	3,269
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 936	4,205	3,269

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

HENRY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF'S CIVIL FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 30,000	24,828	-5,172
Total Receipts	30,000	24,828	-5,172
DISBURSEMENTS			
Other	0	2,491	-2,491
Transfers out	30,000	20,861	9,139
Total Disbursements	30,000	23,352	6,648
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,476	1,476
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	1,476	1,476

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

HENRY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

	Year Ended December 31,					
	1998			1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 193,706	197,750	4,044	173,000	173,470	470
Intergovernmental	155,289	155,287	-2	161,189	166,689	5,500
Charges for services	27,203	32,900	5,697	24,000	27,529	3,529
Interest	2,800	3,765	965	3,500	4,279	779
Other	19,220	27,422	8,202	25,500	20,566	-4,934
Total Receipts	398,218	417,124	18,906	387,189	392,533	5,344
DISBURSEMENTS						
Salaries	257,240	315,436	-58,196	270,727	266,583	4,144
Office expenditures	13,987	12,555	1,432	9,100	15,164	-6,064
Equipment	16,184	6,687	9,497	20,000	14,528	5,472
Mileage and training	12,589	14,244	-1,655	12,500	12,690	-190
Other	75,536	59,343	16,193	86,000	94,395	-8,395
Total Disbursements	375,536	408,265	-32,729	398,327	403,360	-5,033
RECEIPTS OVER (UNDER) DISBURSEMENTS	22,682	8,859	-13,823	-11,138	-10,827	311
CASH, JANUARY 1	43,798	43,798	0	54,625	54,625	0
CASH, DECEMBER 31	\$ 66,480	52,657	-13,823	43,487	43,798	311

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

HENRYCOUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HENRY COUNTY WATER SUPPLY DISTRICT #3 FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 50,000	50,000	0	500,000	450,000	-50,000
Total Receipts	50,000	50,000	0	500,000	450,000	-50,000
DISBURSEMENTS						
Construction	50,000	50,000	0	500,000	450,000	50,000
Total Disbursements	50,000	50,000	0	500,000	450,000	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	\$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

HENRYCOUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HENRY COUNTY WATER SUPPLY DISTRICT #4 FUND

				Year Ended December 31,		
				1998		
				Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$	300,000		300,000		0
Total Receipts		300,000		300,000		0
DISBURSEMENTS						
Construction		300,000		300,000		0
Total Disbursements		300,000		300,000		0
RECEIPTS OVER (UNDER) DISBURSEMENTS		0		0		0
CASH, JANUARY 1		0		0		0
CASH, DECEMBER 31	\$	0		0		0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HENRY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Juvenile Office DYS Grant Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Sheriff's Drug Dog Fund	1997

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	1998 and 1997
D.A.R.E. Fund	1998 and 1997
Tri-County Child Support Fund	1998 and 1997
Federal Drug Forfeiture Program Fund	1998 and 1997
Health Center Fund	1998 and 1997
Assessment Fund	1998
Prosecuting Attorney's Delinquent Tax Fund	1998
Victims of Domestic Violence Fund	1998
Sheriff's Special Project Fund	1998
Local Emergency Planning Commission Fund	1997
Federal Grant Fund	1997
Recorder's Records, Storage, and Preservation Fund	1997

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Juvenile Office DYS Grant Fund	1998 and 1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997
Law Library Fund	1998 and 1997
Health Center Fund	1997
Sheriff's Drug Dog Fund	1997

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1998, \$2,760,903 was covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, \$100,000 was covered by collateral pledged by one bank and held in the county's name by an affiliate of the same bank holding company, and \$228,546 was uninsured and uncollateralized.

Of the county's bank balance at December 31, 1997, \$2,537,474 was covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, \$100,000 was covered by collateral pledged by one bank and held in the county's name by an affiliate of the same bank holding company, and \$24,492 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center Board's deposits at December 31, 1998 and 1997 were entirely covered by federal depository insurance.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received \$186,054 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be \$92,169. As of December 31, 1998, \$40,961 remains to be paid.

Supplementary Schedule

Schedule

HENRY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			1998	1997
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.6	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9141 \$	48,778	50,433
U.S. DEPARTMENT OF DEFENSE				
Direct Programs:				
12.unknown	U.S. Army Corps of Engineers	DACW41-97-H-000	41,237	40,044
Passed through state:				
Office of Administration -				
12.1	Payments to States in Lieu of Real Estate Taxes	N/A	27,320	0
Department of Public Safety -				
12.unknown	Surplus Property	N/A	0	201
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.2	Community Development Block Grants/State's Program	94-PF-05	50,000	450,000
		95-PF-02	300,000	0
	Program Total		350,000	450,000
Department of Social Services -				
14.2	Emergency Shelter Grants Program	ERO1640299	13,920	12,111
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	97-VAWA-0047	7,445	8,633
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	380	8,375
Passed through:				
State Department of Public Safety -				
16.6	Violence Against Women	98-VAWA-0030	14,230	857
16.6	Local Law Enforcement Block Grants Program	96-LBG-058	0	4,725
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	267	984
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and				

	Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-042-18	186,717	28,839
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.0	Donation of Federal Surplus Personal Property	N/A	2,086	583
::				
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.5	Civil Defense - State and Local Emergency Management Assistance	EMK-97-PA-00074	0	8,262
83.5	Emergency Management - State and Local Assistance	EMK-98-PA-0003	4,339	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.3	Immunization Grants	PG0064-9141 IAP	6,380	5,413
Department of Social Services -				
93.6	Child Support Enforcement	N/A	46,941	43,946
Department of Health -				
93.6	Child Care and Development Block Grant	ERO146-7141-CCN0	2,764	910
Department of Social Services -				
93.7	Social Services Block Grant	ERO172-059	15,230	2,839
		ERO172-060	40,328	4,203
		ERO172-122	42,562	1,306
		ERO172-161	10,311	1,543
	Program Total		<u>108,431</u>	<u>9,891</u>
Department of Health -				
93.9	HIV Prevention Activities - Health Department Based	N/A	73	105
94.0	Maternal and Child Health Services Block Grant to the States	ERO175-9141	4,002	6,870
		ERO062-9141	264	413
		ERO146-9141	15,778	16,805
	Program Total		<u>20,044</u>	<u>24,088</u>
	Total Expenditures of Federal Awards	\$	<u>881,352</u>	<u>698,400</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

HENRY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Henry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) and the Department of Public Safety Surplus Property Program (CFDA number 12.unknown) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$350,000 and \$450,000 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 1998 and 1997.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Henry County, Missouri

Compliance

We have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

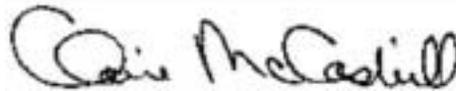
In our opinion, Henry County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1998 and 1997.

Internal Control Over Compliance

The management of Henry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 4, 1999 (fieldwork completion date)

Schedule

HENRY COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes x no

Identification of major program:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HENRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HENRY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HENRY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999. We also have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1998 and 1997, and have issued our report thereon dated March 4, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Henry County but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**County Sales Tax**

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Henry County voters under the provisions of Section 67.505, RSMo 1994.

Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 1998:

	Year Ended December 31,	
	1998	1997
Actual sales tax revenues	\$ 858,895	866,483
Required percentage of revenue reduction	X 50 %	50 %
Required property tax revenue reduction	429,448	433,242
Assessed valuation	200,429,479	193,688,689
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	X 0.21	0.24
Actual property tax revenue reduction	420,902	464,853
Excess property tax revenues collected	8,545	(31,612)
Excess property tax revenue collections from prior years	101,187	132,799
Excess at December 31,	\$ 109,732	101,187

Although the County Commission rolled the General Revenue Fund tax levy back to \$.00 for the 1993, 1994, 1995, 1996, and 1997 tax years, the amount of property tax revenue reduction was less than the required 50 percent of the actual sales tax revenues. As of December 31, 1997, the county was still required to reduce property taxes by \$101,187. However, the county did not consider this cumulative liability when establishing the 1998 General Revenue Fund levy. The County Clerk indicated he considered only the 1997 required and actual property tax reductions when determining the General Revenue Fund levy allowed for 1998. As a result, the County Commission set the 1998 General Revenue Fund tax levy at \$.04. The County Commission should have left the General Revenue Fund tax levy at \$.00 until property taxes had been reduced as required by statute.

The County Commission needs to continue reducing its tax levies to offset the \$100,000 accumulation of excess property taxes over a reasonable period of time.

WE RECOMMEND the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

AUDITEE'S RESPONSE

On August 3, 1982, the people of Henry County passed a 1/2 cent Local Sales Tax for the county general revenue. Since that time the county property tax levy has been as follows:

1982 = \$.40
1983 = \$.15
1984 = \$.15
1985 = \$.02
1986 = \$.02
1987 = \$.00
1988 = \$.00
1989 = \$.00
1990 = \$.00
1991 = \$.00
1992 = \$.01
1993 = \$.00
1994 = \$.00
1995 = \$.00
1996 = \$.00
1997 = \$.00
1998 = \$.04

As you can see, nearly all revenues collected through the county property tax were accumulated in the first three years of the sales tax collection. In the 17 years of county sales tax existence, ten years the county has had a \$.00 tax levy. As stated in your audit, the county should reduce its tax levy to offset the accumulation of excess property taxes over a reasonable period of time. We consider the past fourteen years to be more than a reasonable amount of time.

AUDITOR'S COMMENT

Although the County Commission significantly reduced the property tax levy for several years, as of December 31, 1997, the county was still required to reduce property tax revenue by \$101,187. If the County Commission had levied \$.00 for 1998, they could have reduced excess property tax collections by \$71,627. Under this scenario, the required reduction for prior years would have been reduced to under \$30,000 as of December 31, 1998, and the County Commission probably could have a property tax levy for 1999. The County Commission should levy a \$.00 property tax levy for 1999. This should significantly reduce the amount of required property tax reduction.

2. Budgetary Practices and Published Financial Statements

Our review of the county budgets and published financial statements revealed the following concerns:

- A. Disbursements were made in excess of approved budgeted amounts for the following funds during the two years ended December 31, 1998, as follows:

Fund	Year Ended December 31,	
	1998	1997
Assessment	\$ 224	N/A
Law Enforcement Training	1,678	842
Prosecuting Attorney's Delinquent Tax	1,053	N/A
Tri-County Child Support	131	1,391
Victims of Domestic Violence	443	N/A
Federal Drug Forfeiture Program	30	574
Local Emergency Planning Commission	N/A	753
D.A.R.E.	1,935	7,883
Recorder's Records, Storage, and Preservation	N/A	6,687
Federal Grant	N/A	763
Sheriff's Special Project	6,766	N/A
Health Center	32,729	5,033

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- B. Formal budgets were not prepared and filed with the State Auditor's office for several county funds for the years ended December 31, 1998 and 1997. These funds are used for specific purposes and are held by various county officials outside the County Treasurer's control. No documentation was available to indicate the County Commission obtained financial information regarding these funds prior to preparing the county's consolidated budget.

Chapter 50, RSMo 1994, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources.

- C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Sections 50.800 and 50.810, RSMo 1994, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county

funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

- D. The county has been significantly overestimating the amounts budgeted for Road and Bridge Fund expenditures for several years as follows:

Year Ended December 31,	Expenditures		Difference
	Actual	Budget	
1998	\$ 950,290	1,435,717	485,427
1997	740,155	1,376,080	635,925
1996	1,240,604	1,696,150	455,546
1995	695,115	1,400,027	704,912

As the chart indicates, during the last four years, actual expenditures have been only 50 to 73 percent of budgeted expenditures, so it is apparent the county could have prepared a more reasonable estimate of Road and Bridge Fund expenditures.

Each year the county transfers approximately 3 percent of the budgeted Road and Bridge Fund expenditures to the General Revenue Fund for administrative fees. Section 50.515, RSMo Cum. Supp. 1998, allows the county to impose an administrative service fee not to exceed 3 percent of the total budget of the Special Road and Bridge Fund to generate reimbursement sufficient to recoup actual expenditures made from the General Revenue Fund for applicable administrative services.

Because estimates of expenditures for the Special Road and Bridge Fund are significantly in excess of actual expenditures, the amounts transferred to the General Revenue Fund during 1997 and 1998 were approximately \$31,000 higher than they would have been had the transfers been based on more reasonable amounts.

In addition, as noted in our prior report, \$105,000 was due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1996 for excess administrative transfers. This amount was not repaid and at December 31, 1998, \$136,000 is due from the General Revenue Fund to the Special Road and Bridge Fund.

Conditions similar to A-D were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. And the Health Center Board of Trustees not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the

annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- B. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.
- C. And the Health Center Board of Trustees ensure financial information for all county funds is properly reported in the annual published financial statements.
- D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of \$136,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The budgets were exceeded primarily because additional revenues were received. In the future, we will try to amend the budget when additional revenues are received.*
- B. *We will attempt to obtain financial information from the various officeholders in charge of these funds, and will forward this information with the consolidated budget.*
- C. *The Henry County Health Center is a political entity unto itself, with its own elected board of directors and its own tax levy. It does not fall under the responsibility of the Henry County Commission, and therefore has not been included in the county's annual financial statement.*

We will try to include these other funds in the published financial statements.

- D. *We will take this recommendation into consideration when the budget is prepared.*

The Health Center Administrator provided the following responses:

- A. *If additional revenues are received, we will amend the budget and file it with the County Clerk's office and the State Auditor's office.*
- C. *The Health Center published financial statements for 1998 and will continue to do so.*

3. County Expenditures

Our review of county expenditures during the two years ended December 31, 1998 revealed the following concerns:

- A. Bids were not always solicited nor was bid documentation always retained for various purchases made by the county during the audit period. Examples of items purchased for which no evidence of bidding could be located are as follows:

<u>Item Purchased</u>	<u>Amount</u>
Steel	\$ 13,860
Demolition of barn	7,524
Ballot printing	6,992
Computers	6,265
Mapping services	6,010
Radio equipment	5,426
Beams	5,054

The County Commission indicated that some items were available only from one vendor in the area; however, documentation of sole source procurements was not maintained.

Section 50.660, RSMo Supp. 1998, requires the advertisement for bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are being followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

- B. The county's policy for meal reimbursements states county employees shall be reimbursed to a maximum of \$5.50 for breakfast, \$5.50 for lunch, and \$12 for dinner based on the submission of appropriate receipts. From the warrant requests reviewed for the Prosecuting Attorney Training Fund, it appears the Prosecuting Attorney was reimbursed in excess of the county's policy for meal expenditures. Our review of expenses claimed by the Prosecuting Attorney to attend the spring and fall training seminars indicated approximately \$79 was claimed and reimbursed in excess of the county meal policy.
- C. IRS Forms 1099-MISC were not issued for payments made from the Prosecuting Attorney Bad Check Fund totaling \$2,561 to a special prosecutor for services rendered during the two years ended December 31, 1998. Sections 6041 and 6051 of

the Internal Revenue Code require nonemployee payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-Miscellaneous.

Conditions similar to B and C were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Ensure the county's policy for reimbursement of meal expenditures is followed and obtain reimbursement for any of the excess meal reimbursements that cannot be justified.
- C. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The vendor used for the ballot printing is the sole source for these services in our area. We buy used steel and beams when we can get it cheaper than the bid received. In the future, we will better document these purchases.*
- B. *The county's policy on meal reimbursement was changed January of 1999, to pay for meals based on a daily allowance instead of a per meal allowance.*
- C. *We will cooperate with the Prosecuting Attorney's office to get these forms filed.*

The Prosecuting Attorney provided the following responses:

- B. *We intended to pay the meal expenses from the Prosecuting Attorney Bad Check Fund and funds have been transferred from the Prosecuting Attorney Bad Check Fund to the Prosecuting Attorney Training Fund to reimburse these expenditures.*
- C. *It was my understanding that the 1099 forms would be prepared by the County Clerk's office.*

AUDITOR'S COMMENT

- B. The County Commission and the Prosecuting Attorney need to ensure that expenditures made from all county funds, including the Prosecuting Attorney Bad Check Fund and the

Prosecuting Attorney Training Fund, are necessary for county operations and a prudent use of public monies.

4. Collateral Securities

The amount of collateral securities pledged by the county's depository banks in December 1998 and December 1997 were insufficient by approximately \$228,000 and \$24,000, respectively, to cover monies in the custody of the County Treasurer and Ex Officio County Collector. It appears this situation occurred because bank balances are not being properly monitored by the county.

Section 110.020, RSMo 1994, provides the value of securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Treasurer and Ex Officio County Collector ensure collateral securities pledged by the depository banks are sufficient to protect county monies at all times.

AUDITEE'S RESPONSE

We have a depository agreement that requires the bank to pledge securities as necessary to cover county funds. I have contacted the individual at the bank who is in charge of this and we have each made notations on our calenders to remind us to review coverage in November.

5. General Fixed Assets

Our review of the county's general fixed asset records and procedures indicated the following areas in which improvements are needed:

- A. General fixed asset items are not numbered, tagged or otherwise identified as county property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.
- B. An annual inventory of all general fixed assets is not conducted. During the audit period, each officeholder was asked to prepare a listing of general fixed assets. However, there was no documentation that personnel in the County Clerk's Office reviewed or verified the listings prepared by the officeholders. The listings prepared appeared to be primarily for insurance purposes and included computer equipment, vehicles, and road and bridge equipment. The County Clerk does not reconcile

general fixed asset purchases to additions to the general fixed asset inventory, and thus there is no assurance the listings are complete.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property. Annual inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Clerk:

- A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified as county property.
- B. Perform and document annual inventories of county-owned property and update the fixed asset records for unrecorded property additions and dispositions.

AUDITEE'S RESPONSE

The General Assembly of 1999 addressed this issue and new legislation will become effective in August of 1999. Inventory of general fixed assets will no longer be the responsibility of the County Clerk. Under the new legislation, the implementation of inventorying of assets will finally become feasible to monitor.

6. Juvenile Officer's Accounting Controls and Procedures

Our review of the Juvenile Office revealed the following concerns:

- A. The Juvenile Office does not issue receipts for some monies received for the Division of Youth Services account. To adequately account for all collections, receipt slips should be issued for all monies received. In addition, the method of payment indicated on each receipt slip should be reconciled to the composition of the monies deposited.
- B. The Juvenile Office provides gas credit cards to each of the 13 office employees and the Circuit Judge. The gas cards are used to fuel personal vehicles and the gas purchased is billed to the Juvenile Office. At the end of the month, each employee using a gas card reimburses the Juvenile Office for his/her share of the gas bill and submits a mileage report for miles traveled between the three counties in the circuit. Employees are reimbursed \$.28 per mile for miles traveled in personal vehicles for the Juvenile Office.

Since the Juvenile Office is recognized as a governmental entity, it is given a tax exemption for federal gas taxes of approximately \$.18 per gallon. However, since the gas is purchased for personal vehicles, it is used for both business and personal purposes. For one month reviewed, we noted the Circuit Judge and Juvenile Office employees saved \$233 as a result of not paying federal gas tax. We also noted one secretary who saved \$22 during the same month but does not drive any business miles.

Governmental entities are exempt from paying federal gas taxes, but individuals purchasing gas for personal vehicles are not. Thus it does not appear proper for the Juvenile Office to allow its employees to benefit from the use of these gas cards.

- C. Checks and money orders made out to the Juvenile Office, and deposited into the Juvenile Court account, are not always restrictively endorsed immediately upon receipt.

To reduce the risk of loss, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Juvenile Officer:

- A. Issue receipts for all monies received and the method of payment indicated on each receipt slip should be reconciled to the composition of the monies deposited.
- B. Review the practice of allowing employees to use Juvenile Office gas cards to purchase gas for personal use.
- C. Ensure all checks and money orders are restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

- A. *The Juvenile Office now issues receipts for all monies received.*
- B. *Effective July 6, 1999, the Juvenile Office no longer uses the petro cards for employees. All employees' gas cards were collected and the practice of charging fuel and then collecting payments from employees was stopped. The Juvenile Office continues to maintain one gas key and card for use in fueling the Juvenile Office van. The van is used exclusively for Juvenile Office business and transportation of youths who come under the jurisdiction of the court.*
- C. *All checks and money orders made payable to the Juvenile Office are now restrictively endorsed immediately upon receipt.*

This report is intended for the information of the management of Henry County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HENRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Henry County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary Practices and Published Financial Statements

- A. Warrants were issued in excess of approved budgeted expenditures.
- B. Formal budgets were not prepared for various county funds for the years ended December 31, 1996, 1995, and 1994.
- C. The annual published financial statements of the county did not include the financial activity of some county funds as required.
- D. At December 31, 1996, \$105,000 in excess administrative transfers was due from the General Revenue Fund to the Special Road and Bridge Fund.

Recommendation:

The County Commission:

- A. And the Health Center not authorize warrants in excess of budgeted expenditures.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of \$105,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

Status:

A, B,
C&D. Not implemented. See MAR No. 2.

2. County Expenditures

- A. The county's policy for meal reimbursements was not being followed.
- B. Supporting documentation was not available for expenditures incurred by the Prosecuting Attorney for various funds.

- C. Some expenditures from the Prosecuting Attorney Bad Check Fund apparently were not a prudent use of public funds.
- D.
 - 1) IRS Forms 1099-MISC were not issued for services rendered by two special prosecutors.
 - 2) Payments for extra work performed by a part-time employee of the Prosecuting Attorney's Office were not included on the payroll records or W-2 form. In addition, no withholdings for applicable federal and state income taxes or social security were made from those payments.
- E. The county paid the Sheriff's deputies based on miles driven to transport prisoners, rather than on hours worked; therefore, any overtime incurred was not calculated.

Recommendation:

The County Commission:

- A. Ensure the county's policy for reimbursement of meal expenditures is followed and obtain reimbursement for any of the excess meal reimbursements that cannot be justified.
- B. Require adequate supporting documentation be submitted and retained for all expenditures.
- C. Review the need for such expenditures with the Prosecuting Attorney and ensure all future expenditures represent a prudent use of public monies.
- D.1. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.
 - 2. Ensure all employee compensation is reported on employees' payroll records and W-2 forms. All taxes should be properly withheld and paid to the appropriate authorities.
- E. And Sheriff review the overall procedures for paying deputies who perform guard duties to ensure compliance with FLSA provisions.

Status:

- A. Not implemented. The County Commission did not obtain reimbursement for excessive meal reimbursements and excessive reimbursements continued to be made. See MAR No. 3.
- B, D.2, & E. Implemented.
- C. Not implemented. We noted some meal reimbursements which appeared excessive but the County Commission verbally indicated their policy does not apply to this fund. Although not repeated in the current MAR, our recommendation remains as stated above.
- D.1. Not implemented. See MAR No. 3.

3. General Fixed Assets

- A. Some fixed asset items were not numbered, tagged, or otherwise identified and the source of acquisition by fund was not recorded in the fixed asset records for any of the fixed assets.
- B. No documentation existed that an annual inventory of general fixed assets had been performed and the general fixed asset records had not been updated to reflect additions and dispositions of assets which occurred during 1995 and 1996.

Recommendation:

The County Clerk:

- A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified and ensure the source of acquisition by fund is recorded in the fixed asset records.
- B. Perform and document inventories of county-owned property and update the fixed asset records for unrecorded property additions and dispositions.

Status:

A&B. Not implemented. See MAR No. 5.

4. County Clerk's Accounting Controls and Procedures

- A. Inventory records were not maintained to account for the number of plat books purchased, sold, given away, or on hand.
- B. Checks were not restrictively endorsed upon receipt and receipts were not turned over to the County Treasurer daily or when accumulated receipts exceed \$100.
- C. Receipt slips issued were not prenumbered.
- D. The method of payment received was not indicated on the County Clerk's receipt slips and the composition of the payments received was not reconciled to the composition of the turnovers to the County Treasurer.

Recommendation:

The County Clerk:

- A. Maintain inventory records of plat books and periodically reconcile the number of plat books purchased, sold, or given away to the number on hand.
- B. Restrictively endorse checks immediately upon receipt and turn over all receipts to the County Treasurer daily or when accumulated receipts exceed \$100.
- C. Issue prenumbered receipt slips for all monies received.

- D. Indicate the method of payment on receipt slips and reconcile the composition of payments received to amounts turned over to the County Treasurer.

Status:

A, B,
C&D. Implemented.

5. Health Center

- A. Prenumbered receipt slips were not always issued for monies received by the Health Center sanitation clerk.
- B. Accounting and bookkeeping duties were not adequately segregated. There was no independent review of the accounting records or reconciliations by a supervisor or other independent individual.

Recommendation:

The Health Center Board of Trustees:

- A. Require the sanitation clerk to issue prenumbered receipt slips for all monies received.
- B. Segregate the record keeping duties of the clerk, or at a minimum, require that a supervisor or an independent person perform and document a periodic review of the bank reconciliations and accounting records.

Status:

- A. Implemented.
- B. Implemented. The Health Center now has an independent review of deposits and checks are signed by the Board of Trustees. Beginning in March 1999, the administrator performs a review of the bank reconciliations.

6. Treasurer Ex Officio Collector's Accounting Controls and Procedures

- A. Monies received by the Ex Officio Collector were not deposited intact.
- B. The Ex Officio Collector did not issue receipt slips for or maintain a log of fees received for issuing duplicate copies of paid tax receipts.
- C. The method of payment received was not indicated on the Treasurer's receipt slips.

Recommendation:

The Treasurer Ex Officio Collector:

- A. Maintain a change fund at a constant amount and deposit all receipts intact.
- B. Issue prenumbered receipt slips for monies received for duplicate copies of paid tax receipts, or at a minimum, maintain a log of the monies received for such fees.
- C. Indicate the method of payment on receipt slips and reconcile the composition of payments received to amounts deposited in the bank.

Status:

A, B,
& C. Implemented.

7. Statutory Salaries

Increases were given to some officials during their term of office with no support for such increases and different salary amounts were paid to the two associate commissioners, even though both should have been computed under the same statute.

Recommendation:

The County Commission ensure future salary commission actions clearly document the amounts to be paid to each official and when increases in compensation will take effect. Officials should then be paid in accordance with such provisions.

Status:

Implemented. While the previous salary amounts were not reduced, the Salary Commission met in 1997 and voted to set salaries at 85 percent of the salary authorized by statute along with an annual cost of living adjustment. The County Clerk prepared a worksheet to document each official's 1999 salary.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HENRY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1834, the county of Henry was named after Patrick Henry. Henry County is a township-organized, third-class county and is part of the twenty-seventh Judicial Circuit. The county seat is Clinton.

Henry County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows where Henry County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 84,337	3	65,731	3
Sales taxes	858,895	29	866,483	32
Federal and state aid	1,334,161	46	1,068,646	40
Fees, interest, and other	653,543	22	666,992	25
Total	\$ 2,930,936	100	2,667,852	100

The following chart shows how Henry County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge Funds:

USE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 874,965	31	928,742	36
Public safety	967,214	35	917,727	35
Highways and roads	950,290	34	740,155	29
Total	\$ 2,792,469	100	2,586,624	100

The county maintains approximately 145 county bridges and has 748 miles of county roads which are maintained by the various townships.

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The county's population was 18,451 in 1970 and 20,044 in 1990. The following chart shows the county's growth in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 127.6	123.5	86.4	35.7	28.1
Personal property	53.9	50.7	20.9	15.9	9.7
Railroad and utilities	18.9	19.5	13.7	14.2	10.2
Total	\$ 200.4	193.7	121.0	65.8	48.0

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Henry County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
General Revenue	\$ 0.04	0.00
Health Center Fund	0.10	0.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	1999	1998
State of Missouri	\$	58,018
General Revenue Fund	59,582	3,495
Special Road and Bridge	75,210	70,693
Township Road Districts	72,119	365,689
Townships	415,388	97,944
Assessment Fund	99,887	85,647
Health Center Fund	96,794	191,419
School districts	196,298	2,598,763
Library district	2,893,964	347,897
Ambulance district	355,455	25,648
Fire protection district	26,799	7,268
Hospital	6,698	13,837
State Fair Community College	14,089	3,142
Cities	3,594	285,047
County Employees' Retirement	299,708	36,327
Merchants and manufacturing licenses	37,850	15,625
Commissions and fees:	14,850	
General Revenue Fund	128,115	116,830
Ex Officio County Collector	8,822	8,236

Total	\$	<u>4,805,222</u>	<u>4,331,525</u>
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Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	1999	1998
Real estate	90.8 %	90.8 %
Personal property	84.4	86.3
Railroad and utilities	99.9	99.9

Henry County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date
General	0.005	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
Joe Simms, Presiding Commissioner	\$	20,000	20,000
Don Bullock, Associate Commissioner		20,000	20,000
Richard W. Nichols, Associate Commissioner		20,000	20,000
Becky Raysik, Recorder of Deeds		30,000	30,000
Gene Pogue, County Clerk		32,500	32,500
John J. Kopp, Jr., Prosecuting Attorney		37,000	37,000
Kent Oberkrom, Sheriff		38,000	38,000
John J. Prince, County Coroner		7,000	7,000
Leona Wilson, Public Administrator *		70,134	58,057
Mildred Johnson, Treasurer and Ex Officio County Collector, year ended March 31, **	43,732	42,887	
James Keck, County Assessor, year ended August 31, ***		42,400	34,300
David Whitehead, County Surveyor ****		700	N/A

* Compensation includes only fees received from estate cases filed with Division III and no additional salary.

** Includes \$8,822 and \$8,236, respectively, of commissions earned for collecting city property taxes.

*** Includes \$900 received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

Janice Sloan, Circuit Clerk	42,183	40,176
Wayne Strothman, Associate Circuit Judge	85,158	81,792

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A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk	0	4
Recorder of Deeds (1)	2	0
County Clerk	3	0
Prosecuting Attorney	6	0
Sheriff (2)	18	0
Treasurer and Ex Officio County Collector	2	0
County Assessor (3)	8	0
Associate Division	0	3
Probate Division	0	1
Road and Bridge (1)	7	0
Health Center (4)	13	0
Total	<u>59</u>	<u>8</u>

- (1) Includes one part-time employee.
- (2) Includes three part-time employees.
- (3) Includes four part-time employees.
- (4) Includes six part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Henry County's share of the twenty-seventh Judicial Circuit's expenses is 46.05 percent.